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REPORT

LOUISIANA FREE-RT, INC.

JUNE 14, 1960

Under provisions of election law, this report is a public document and should be made available to the public. The information contained herein is for the use of the public and should not be used for any other purpose. It is the policy of the Louisiana Free-RT, Inc. to make this information available to the public in a timely and appropriate manner.

Release Date: 11-11-60

LOUISIANA FREE-MET, INC.

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INDEPENDENT AUDITORS' REPORT

August 28, 2009

Board of Directors
Louisiana Free-Net, Inc.
1608 Canal St., Suite 327
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Louisiana Free-Net, Inc. (a Louisiana nonprofit corporation) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Louisiana Free-Net, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that Louisiana Free-Net, Inc. will continue as a going concern. As discussed in Note 9 to the financial statements, the Organization has lost its major source of revenue which raises substantial doubt about its ability to continue as a going concern. Management's plan regarding this matter is also discussed in Note 9.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2009 on our consideration of Louisiana Free-Net, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

DuPlantier, Hrapmanis, Hogan & Maher, L.L.P.

LOUISIANA FREE-NET, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

CURRENT ASSETS:

Cash (Note 1)	\$ 51,893
Accounts receivable (Notes 1 and 6)	34,456
Total current assets	<u>\$86,349</u>

TOTAL ASSETS \$ 86,349

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 32,217
Due to State of Louisiana	43,500
Due to Greater New Orleans Free-Net	8,600
Total current liabilities	<u>\$84,316</u>

NET ASSETS (Notes 1 and 5)

Unrestricted	<u>2,033</u>
Total net assets	<u>2,033</u>

TOTAL LIABILITIES AND NET ASSETS \$ 86,349

LOUISIANA FREE-NET, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2000

UNRESTRICTED NET ASSETS:

REVENUE:

State of Louisiana - Cooperative Endorser Agreement

(Notes 6 and 7)

Total revenue

\$ 303,696

303,696

EXPENSES: (Note 1)

Programs

571,716

Support services:

Administrative and general

105,787

Total expenses

677,503

DECREASE IN UNRESTRICTED NET ASSETS

(373,807)

Net assets - beginning of year as previously reported

147,186

Prior period adjustment - correction in accrual of accounts payable (Note 8)

34,374

Net assets - beginning of year, as restated

181,560

NET ASSETS - END OF YEAR

\$ 2,063

LOUISIANA FREE-NET, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in unrestricted net assets	\$ (179,847)
Adjustments to reconcile decrease in unrestricted net assets to cash used by operating activities:	
Depreciation	34,527
Disposal of computer equipment	160,796
Increase in accounts receivable	(3,064)
Decrease in accounts payable	(87,038)
Decrease in due to Greater New Orleans Free-Net	(11,680)
Increase in due to State of Louisiana	43,340
Decrease in payroll taxes	(17,635)
Decrease in interest expense	(2,380)
Net cash used by operating activities	<u>(114,871)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from loan	65,808
Payments of loan	<u>(16,899)</u>
Net cash used by financing activities	<u>--</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(114,063)
Cash and cash equivalents at beginning of year	<u>362,922</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>248,859</u>
SUPPLEMENTAL DISCLOSURE:	
Interest paid	\$ <u>758</u>
Income taxes	\$ <u>--</u>

LOUISIANA FREE-NET, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

ORGANIZATION:

The Louisiana Free-Net was organized on July 31, 1997. The Louisiana Free-Net is a nonprofit electronic community network, which provides internet access and training for a fifteen parish area. Substantially all of its revenue is derived from the Cooperative Endowment Agreement with the State of Louisiana.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Accounting and Presentation:

The financial statements of the Organization are prepared on the accrual basis. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, Financial Statements of Not-for-Profit Organizations. The Organization reports amounts received in the current year with donor imposed restrictions as restricted only if those amounts are unspent at the end of the year. All other amounts are reported as unrestricted.

The statement of activities presents expenses of the Organization's operations functionally between program services and administrative and general. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting those functions.

Accounts Receivable:

Accounts receivable are charged off as uncollectible at the time their worthlessness is established. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

Statement of Cash Flows:

As required by generally accepted accounting principles the financial statements include a statement of cash flows showing cash provided and used by operating, investment, and financing activities.

For purposes of implementing the cash flow statement, the Organization has defined cash equivalents as those amounts included in the statement of financial position caption "Cash."

LOUISIANA FREE-NET, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises To Give:

Gifts are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gifts that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the gifts are recognized. All other donor-restricted gifts are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine unconditional promises receivable. The allowance is based on historical experience and management's analysis of specific promises made.

Computer Equipment:

Computer equipment was carried at cost and depreciated over its estimated useful life of five years using the straight-line method of depreciation. Depreciation expense for the year ended June 30, 2000 was \$28,527.

Donated Services:

No amounts have been reflected in the financial statements for donated services. Donated services were not recorded due to the fact that the value of these services was not readily determinable. The amount of donated services is not considered significant. However, volunteers have donated time to the Organization's program and general and administrative services.

2. INCOME TAXES:

The Organization is exempt from income taxes under the Internal Revenue Code Section 501(c)(7). The Organization files Federal Form 990 "Return of Organizations Exempt from Income Tax."

3. RELATED PARTY:

Certain officers on the Board of Directors of the Louisiana Free-Net are officers on the Board of Directors of the Greater New Orleans Free-Net. Additionally, both the Louisiana Free-Net and the Greater New Orleans Free-Net are under certain common controls by individuals who could exercise influence over their day-to-day decisions.

LOUISIANA FREE-NET, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

3. RELATED PARTY: (Continued)

Louisiana Free-Net has contracted with Greater New Orleans Free-Net for the period July 1, 1999 through June 30, 2000. The contract requires Greater New Orleans Free-Net, Inc. to manage, administer, and operate Louisiana Free-Net, Inc. In addition to payment of the services provided and in accordance with the terms of the contract between Louisiana Free-Net and the Greater New Orleans Free-Net, Louisiana Free-Net, Inc. compensated Greater New Orleans Free-Net, Inc. by transferring equipment with a book value of \$83,394. During the fiscal year ended June 30, 2000 the Louisiana Free-Net recorded expenses of \$146,082 for this contract. The amount due to Greater New Orleans Free-Net as of June 30, 2000 was \$8,568.

During the year ended June 30, 2000, Louisiana Free-Net received a loan from Greater New Orleans Free-Net in the amount of \$16,800 which was paid back to the Organization in the current year.

Greater New Orleans Free-Net subleases office space to Louisiana Free-Net. The amount charged each month is based on the amount of space used by Louisiana Free-Net. Louisiana Free-Net currently leases on a month to month basis. Occupancy expense recorded during the fiscal year ended June 30, 2000 amounted to \$28,326.

4. ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

5. NET ASSETS RELEASED FROM RESTRICTIONS:

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purpose.

6. COOPERATIVE ENDORSEMENT AGREEMENT:

The Organization's major source of revenue is a Cooperative Endorser Agreement with the State of Louisiana Division of Administration. (See also note 9.) The agreement requires the Organization to offer a wide range of services relating to the internet including internet based training and providing affordable access to the internet for a variety of users. The agreement was effective beginning July 1, 1999 and terminated on June 30, 2000. Payments are made to the Organization on a cost reimbursement basis.

LOUISIANA FREE-NET, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

6. COOPERATIVE/LENDOR AGREEMENT: (Continued)

The Organization requested and received \$280,000 from the Division of Administration under the Cooperative Lendover Agreement for the contract year July 1, 1999 through June 30, 2000. In addition, the Organization recorded revenue that was received in advance from the prior year in the amount of \$47,158 to pay for expenses incurred during fiscal year ended June 30, 2000. The total revenue recorded for the period ended June 30, 2000 was \$203,656. The remaining amount of \$43,540 is recorded in the financial statements as a payable to the State of Louisiana Division of Administration as of June 30, 2000.

For the year beginning July 1, 2000, the Organization does not have a new Cooperative Lendover Agreement with the State of Louisiana Division of Administration.

7. CONCENTRATION OF CREDIT RISK:

From time to time throughout the year, the Organization's bank balance exceeded the \$100,000 amount insured by the Federal Deposit Insurance Corporation.

8. PRIOR PERIOD ADJUSTMENT

Net assets at the beginning of 2000 has been adjusted to correct an accrual of accounts payable made in 1999. Had the accrual not been recorded, net income for 1999 would have been increased by \$24,524.

9. GOING CONCERN:

The Organization received substantially all of its revenue from the State of Louisiana Division of Administration Cooperative Lendover Agreement. (See also note 6.) It was determined that the Organization will not receive this source of revenue in the subsequent year and this has caused a severe impact on the Organization's ability to continue as a going concern. Management's plan is to find granters or contributors, otherwise discontinue the Organization's programs and activities.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED JUNE 30, 2000

August 29, 2000

To the Board of Directors
Louisiana Free-Net, Inc.

We have audited the financial statements of Louisiana Free-Net, Inc. as of June 30, 2000 and for the year then and have issued our report thereon dated August 29, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Louisiana Free-Net, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greater New Orleans Free-Net, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 34:513, this report is distributed by the Legislative Auditor as a public document.

Angela Santos, Shagromann, Hagan & Miller LLP

**LOUISIANA FREE-NET, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008**

92-01 - Cash Disbursements:

The Louisiana Free-Net's Cooperative Endorsement Agreement with the State of Louisiana Division of Administration requires that payments be made on a cost reimbursement basis with reference to specific line items within a budget which was pre-approved by the State of Louisiana. During our testing we discovered several disbursements, for which Louisiana Free-Net had received reimbursement from the State of Louisiana that were not classified correctly when applied to the pre-approved budget. Procedures should be implemented to increase controls over the cash disbursement system and ensure compliance with the Cooperative Endorsement Agreement.

This issue has been corrected.

92-02 - Cash Disbursements:

We were unable to locate supporting documentation for several disbursements which Louisiana Free-Net had received reimbursement from the State of Louisiana. For those disbursements we were also not able to determine if they were classified correctly in relation to the pre-approved budget. Procedures should be implemented to increase controls over the cash disbursement system and ensure compliance with the Cooperative Endorsement Agreement.

This issue has been corrected.

92-03 - Cooperative Endorsement Agreement:

The Cooperative Endorsement Agreement the Organization has with the State of Louisiana Division of Administration allows for reimbursement of eligible expenses incurred from July 1, 1998 through June 30, 1999. The Organization received from the Division of Administration \$47,156 subsequent to June 30, 1999, under this agreement for reimbursement of expenses which were incurred subsequent to June 30, 1999. We recommend the Organization use more care when requesting funds under its Cooperative Endorsement Agreements with the State of Louisiana Division of Administration to ensure that amounts requested under each grant are for the proper period.

This issue has been corrected.

LOUISIANA FREE-NET, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000

99-04 - Cash at Bank

In performing audit procedures on cash, it was determined that Louisiana Free-Net did not always timely reconcile the cash bank balance to the cash balance recorded on the general ledger. The lack of controls in this area could lead to material misstatements of cash and the possibility of the loss of cash. To safeguard assets, we recommended that a monthly reconciliation be performed in a timely manner which reconciles the bank balance to the general ledger balance.

This issue has been corrected.

99-05 - Computer Equipment

In performing audit procedures on Louisiana Free-Net's computer equipment, it was determined that the controls over the Organization's property and equipment were deficient in several areas. These included not having a completed equipment inventory report, a lack of formal approval of certain significant equipment purchases, and a lack of formal documentation or authorization on equipment in use at other locations or equipment donated for use under Free-Net programs. If these controls are not corrected, there could be a material effect on the financial statements due to unauthorized acquisitions, use, or disposition of the Organization's equipment. For internal controls over safeguarding equipment, we recommended that an equipment inventory report be completed with the equipment being tagged in order to identify the organization's ownership, all significant equipment purchases approved by the board, and documentation and authorization forms should be completed for any equipment in use at other locations or donated for use under Free-Net programs.

This issue has been corrected.